PKF worldwide tax update

June 2024

The content of this PKF Worldwide Tax News has been compiled and coordinated by Stefaan De Ceulaer (stefaan.deceulaer@pkf.com) of PKF International. If you have any comments or suggestions please contact Stefaan directly.

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Welcome

In this second quarterly issue for 2024, the PKF Worldwide Tax Update newsletter again brings together notable tax changes and amendments from around the world, with each followed by a PKF commentary which provides further insight and information on the matters discussed. PKF is a global network with 480 offices, operating in over 150 countries across our five regions, and its tax experts specialise in providing high quality tax advisory services to international and domestic organisations in all our markets.

In this issue featured articles include discussions on:

- (EU) VAT updates in Belgium, Ecuador and Romania
- Case law and administrative rulings in Ghana
- Significant personal and corporate income tax changes in Greece, Hong Kong, Italy, Jamaica, Malta, Spain, Switzerland, Trinidad and Tobago, the United Arab Emirates and the United Kingdom
- International tax developments (CFC/thin cap, CbC Reporting, BEPS, MLI, double tax treaties, transfer pricing etc.) in China, Germany, India, Singapore, Slovak Republic and Ukraine.

We trust you find the PKF Worldwide Tax Update for the second quarter of 2024 both informative and interesting and please do contact the PKF tax expert directly (mentioned at the foot of the respective PKF commentary) should you wish to discuss any tax matter further or, alternatively, please contact any PKF firm (by country) at **www.pkf.com/pkf-firms**.

Belgium

Mandatory structured electronic invoices between parties liable for VAT

The Chamber of Representatives has approved the draft law on mandatory structured electronic invoices between parties liable for VAT (hereinafter 'B2B'). It is scheduled to enter into force on 1 January 2026 but is still subject to the approval of the Council of the European Union.

What exactly does this entail?

If the Council of the European Union gives the green light, from 1 January 2026, electronic invoices will have to be prepared, issued and received in a structured format, and these invoices will also be processed automatically and electronically, without the need for manual intervention. Sending PDF invoices via e-mail, which we often see today, is therefore not covered by this.

How is this done?

The direct exchange and automatic processing of invoice data is made possible by the PEPPOL network, which is an international agreement framework concerning the format and exchange of electronic invoices. This system is already used in several EU Member States. In Belgium as well, PEPPOL is already used for electronic invoices in a business-to-government context.

In concrete terms: company A connects to a PEPPOL access point via its invoicing/accounting package. Via that access point, the electronic invoice is forwarded to the PEPPOL access point to which the customer, company B, is connected. The electronic invoice is then loaded fully automatically into the software package of company B. Does PEPPOL still sound like an abstract concept? Don't worry, today most ERP/accounting packages are already tailored to the technical requirements of the PEPPOL network, making connection easy.

To whom is it applicable?

The draft law has a threefold scope:

1. Issuer of electronic invoice = all parties liable for VAT established in Belgium (not those under a flat-rate scheme other than the agricultural scheme, the bankrupt and those who only carry out VAT-exempt operations cf. art. 44 VAT Code)
2. Recipient of electronic invoice = all parties liable for VAT who have to declare their VAT number, regardless of whether they are established in Belgium or not (not those who only carry out VAT-exempt operations cf. art. 44 VAT Code)
3. Type of transaction = the supply of goods and services which are deemed to take place in Belgium (not VAT-exempt supplies cf. art. 44 VAT Code and VAT-exempt intra-Community supplies). In principle, only 'local' transactions are covered. Transactions in which the purchaser must communicate their Belgian VAT number are also covered.

From 1 January 2026, electronic invoices covered by these conditions must therefore be exchanged and processed via PEPPOL. For customers who are not yet ready to receive electronic invoices via PEPPOL, there is the option of using a platform such as Hermes, which converts structured electronic invoices into a PDF file.

It is crucial to be well prepared for this digitisation. In order to accommodate companies in this regard, a temporary cost deduction of 120% is provided for income tax purposes.

Introduction of the Belgian foreign direct investment screening mechanism

The Belgian foreign direct investment (FDI) screening mechanism came into force on 1 July 2023 and carries out government screening prior to inward foreign investment in sensitive sectors.

The Inter-Federal Screening Commission (the 'Screening Commission') was set up to carry out these preliminary checks. The Screening Commission must be notified of any transactions that fall within its scope prior to the transfer of shares. Furthermore, a standstill obligation applies, which means that the transaction may only be completed after confirmation either that extensive screening is not necessary or that the transaction has been approved.

Which transactions are covered?

The FDI screening mechanism does not automatically apply to every foreign investment. The notification obligation specifically applies when a 'foreign investor' is involved in the transaction. A 'foreign investor' means:

- a natural person whose main residence is outside the EU; or
- a company incorporated outside the EU; or
- a company whose ultimate beneficial owner (UBO) has their main residence outside the EU.

Moreover, a notification is only required when the transaction results in the acquisition of 'control', or the ability to exercise a decisive influence on the strategic decisions of the Belgian company. Furthermore, the transaction must result in the acquisition of at least 10% or 25% (depending on the sector) of the voting rights in a Belgian enterprise. An increase in an existing shareholding above these thresholds (e.g. from 20% to 25%) must also be reported. Mergers, acquisitions and classic capital increases may therefore all be subject to the FDI screening mechanism.

Which sectors does the FDI screening mechanism target?

The notification requirement depends both on the sector in which the Belgian company operates and on the amount of voting rights that will come into the hands of the foreign investor as a result of the investment.

Sectors where the threshold for notification is 10% of the voting rights include defence, energy, cybersecurity and electronic communication or digital infrastructure, provided the target company achieved a turnover of more than €100 million in the previous financial year.

For vital infrastructures, such as energy, transport, water, health, media and data processing or storage, notification is required following the acquisition of 25% or more of the voting rights in a Belgian company, provided that the turnover in the financial year preceding the acquisition exceeded €25 million.

How does the procedure work?

The notification requirement applies to foreign investors who fall within the scope of the mechanism; they must report to the Screening Commission. The procedure consists of three phases.

Notification phase

Notification of investments that fall within the scope of the mechanism must be made after signature but before closure of the deal. The report should include information about the foreign investor, such as ownership structure, target company, estimated value, the financing of the investment and the sector or activities of the target company. After completion of the notification, the secretariat of the Screening Commission will send the foreign investor an acknowledgement of receipt and start the second phase, the review procedure.

Review procedure

A period of 30 calendar days from receipt of a full report is foreseen for the review procedure.

If the assessment shows that the transaction does not pose a threat to public order, national security or strategic interests, the procedure will be closed. If the Screening Commission considers that the transaction potentially poses such risks, the screening phase will follow.

Screening phase

In this phase, the Screening Commission carries out a thorough risk assessment of the proposed investment and draws up a draft opinion. In the case of a negative opinion, the foreign investor is entitled to see the file and the draft opinion and is given 10 days to submit written comments.

The Screening Commission may finally: (i) approve the transaction; (ii) approve the transaction with remedies; or (iii) reject the transaction. The foreign investor is entitled to negotiate remedies with the Screening Commission. The final decision can be challenged at the Market Court in Brussels within 30 days of notification.

Sanctions and fines for non-compliance

The Screening Commission has considerable ex officio powers to assess transactions that have not been formally notified. This power extends up to two years after the acquisition, or even five years in cases of demonstrable bad faith. Fines of up to 10% to 30% of the transaction value can be imposed for breach of the notification and/or standstill obligation.

Conclusion

Extra vigilance is required if you operate in a sector covered by the FDI screening mechanism, especially if you are considering attracting new investors or if existing foreign investors want to increase their shareholding.

During the negotiations, it may be useful to include a suspensive condition of approval of the transaction by the Screening Commission, before sharing all the company information with the potential investor.

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PKF Comment

If you believe the above measures may impact your business or require any advice with respect to Belgian taxation, please contact Aleksandr Natanelov at aleksandr.natanelov@pkfbofidi.com or call **+32 2 486 59 75** for any further questions.

BACK

China

How non-resident taxpayers should apply for treaty benefits in China

In China, non-resident taxpayers can handle the application for treaty benefits through a process of 'self-assessment, self-declaration and retention of relevant documents for future inspection'. If non-resident taxpayers self-assess and determine that they meet the conditions for enjoying treaty benefits, they can enjoy these benefits at the time of tax declaration, or through the withholding agent at the time of withholding declaration. Meanwhile, they should collect and retain relevant documents as required for future inspection and accept the subsequent management by the China tax authorities.

Non-resident taxpayers who self-declare to enjoy treaty benefits should submit the 'Information Report Form for Non-Resident Taxpayers to Enjoy Treaty Benefits' at the time of declaration. They should also collect and retain relevant documents as required.

In the case of source withholding and designated withholding, non-resident taxpayers should truthfully fill out the 'Information Report Form for Non-Resident Taxpayers to Enjoy Treaty Benefits', proactively submit it to the withholding agent, and collect and retain relevant documents as required.

After receiving the 'Information Report Form for Non-Resident Taxpayers to Enjoy Treaty Benefits', if the withholding agent confirms that the information filled out by the non-resident taxpayer is complete, they should withhold according to treaty provisions, and truthfully submit the 'Information Report Form for Non-Resident Taxpayers to Enjoy Treaty Benefits' as an attachment to the withholding declaration to the competent tax authority.

If neither the non-resident taxpayer nor the withholding agent provides the relevant documents as required by the tax authorities, or if they evade, refuse or obstruct the tax authorities from conducting further investigations, and the competent tax authorities are unable to verify whether they meet the conditions for enjoying treaty benefits, they should be considered as not meeting the conditions for enjoying treaty benefits. It would then be necessary to recalculate the withholding income tax according to the domestic tax laws of China and pay overdue taxes and late payment interest. It is recommended to consult a tax advisor or local tax authorities to obtain the most accurate guidance.

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PKF Comment

If you believe the above may impact your business or personal situation or require any advice with respect to PRC taxation, please contact Allan Jiang at allan.jiang@pkfchina.com or call **+86 21 6076 0876**.

BACK

Ecuador

Various updates – VAT, tax on remittance of funds and temporary contributions

Law on VAT increase

Ecuador has published, in the Official Gazette, the Law to Face the Internal Armed Conflict, the Social and Economic Crisis (Ley Orgánica Para Enfrentar el Conflicto Armado Interno, la Crisis Social y Económica), which includes an increase in the VAT rate to 13%.

Furthermore, on 15 March 2024, Executive Decree 198 was issued which temporarily increases the 13% VAT rate to 15% for 2024. The increase is applicable from 1 April 2024.

The law was gazetted on 12 March 2024 and entered into effect on that date. **Executive Decree 198** was gazetted on 18 March 2024 and entered into effect on that date.

Foreign currency exit tax

The Law to Face the Internal Armed Conflict, the Social and Economic Crisis established that the ISD (a tax on remittances abroad) rate will be 5% from 1 April 2024 (previously 3.5%).

Temporary security contribution (TSC)

Resident companies and permanent establishments of foreign companies, which obtained taxable income in tax year 2022, are subject to the payment of this contribution. Micro and small companies are excluded, as well as banks and savings and credit unions.

The contribution amounts to 3.25% of the 2022 taxable income and will be non-deductible for income tax purposes.

Filing and payment deadlines will be established by the tax administration and may not be later than 31 March 2024 and 2025 (not subject to payment facilities).

A late-filing penalty of 3% of the contribution is due for each full month or fraction thereof after the due date, plus interest and surcharges.

Temporary contribution on profits for banks and savings and credit cooperatives

Resident financial institutions and branches of foreign financial institutions, which obtained taxable profit in tax year 2023, are subject to the payment of this contribution, according to the following:

Group	Taxable profit 2023	Contribution rate
Group 1	Less than US$5 million	5%
Group 2	Greater than US$5 million up to US$10 million	10%
Group 3	Greater than US$10 million up to US$50 million	15%
Group 4	Greater than US$50 million up to US$100 million	20%
Group 5	Greater than US$100 million	25%

This payment will be non-deductible for income tax purposes.

Filing and payment deadlines will be established by the tax administration and may not be later than 31 May 2024 (not subject to payment facilities).

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PKF Comment

With the increase in the tax burden, the government seeks to improve the country's security system, given that additional funds are required to strengthen the institutions responsible for guaranteeing security and public order, through recruitment, training and equipping of police and armed forces, and purchasing modern equipment, vehicles, weaponry and surveillance technology to combat crime and terrorism.

It is important that any tax increases aimed at improving security are accompanied by proper oversight and transparent accountability to ensure that funds are used effectively and efficiently, and that civil and human rights are always respected.

If you believe the above may impact your business or personal situation or require any advice with respect to Ecuadorian taxation, please contact Manuel García at mgarcia@pkfecuador.com or call **+593 4 236 7833**.

BACK

Germany

New German transfer pricing rules for financing transactions

The German legislator has introduced two special transfer pricing rules for financing transactions effective from 2024.

I. Inbound financing relationships

The arm's-length principle is not upheld if an expense from a cross-border, inbound financing relationship reduces the (German) income of the taxpayer and additionally:

- **Condition 1:** the taxpayer cannot credibly demonstrate that: (a) it could have serviced the debt for the entire term of this financing relationship from the outset (debt sustainability); and (b) it needs the financing and uses it for corporate purposes (financing requirement); or
- **Condition 2:** to the extent that the interest rate to be paid exceeds the interest rate that would be applied by an unrelated third party based on the group credit rating. If it is proven that an individual rating derived from the group rating complies with the arm's-length principle, this individual rating is applied.

This rule applies not only to loans in the traditional sense, but also to other financing relationships in the form of the use and provision of debt or debt-like instruments. For reasons of simplicity, however, hereafter we only cover loans.

As a consequence of the new law, the (full) interest deduction on inbound group loans is legally restricted from 2024 from a transfer pricing perspective, even for long-standing financing relationships. The new rules are similar to the statements in the OECD Transfer Pricing Guidelines 2022 (the 'OECD Guidelines'). However, due to the introduction of new/ specific terminology into German tax law, it cannot be assumed with certainty that the new rules and the OECD Guidelines are aligned. Furthermore, if the debt sustainability from the outset cannot be credibly demonstrated for the entire financing amount, it is likely that Germany will deny in full tax deductibility for the interest expense. In contrast, the OECD Guidelines would allow a partial deduction to the extent that the taxpayer can demonstrate that part of the debt could be serviced.

Insofar as the group rating (i.e. the rating of the group parent company) is to be used as a basis in future, the legislator is ultimately assuming (full) implicit group backing in favour of the domestic borrower. If, on the other hand, group management would not support the borrowing domestic group company in the event of a crisis, or would only do so to a limited extent, the OECD Guidelines indicate that it may be appropriate to assess the borrower on the basis of its individual stand-alone rating.

II. Forwarding/intermediation of financing relationships, treasury management and financing companies

Unless a functional and risk analysis proves otherwise, the following activities constitute a low-function/low-risk service:

- a financing relationship is brokered or passed on by one company to another company within the corporate group; or
- a company in the corporate group assumes the management of financial resources for one or more companies in this group or acts as a financing company.

In many cases, the appropriate transfer price for low-function/low-risk routine services will be determined using the cost plus method, so that in these cases at least the dispute with the German tax authorities about the correct transfer pricing method should often be a thing of the past. However, the tax authorities have already applied the OECD Guidelines, which in principle set out comparable principles.

III. Recommendations for action

a) Inbound financing

If transfer pricing-related restrictions on the recognition of expenses for inbound financing are to be avoided from 2024, the requirements resulting from the new legal rules must also be taken into account for existing intra-group financing relationships. If a debt capacity forecast was not prepared at the start of the financing relationship, covering the full term of the borrowing, this forecast should be prepared retrospectively to the best of the company's knowledge and belief based on the circumstances and state of knowledge at the time. Experience has shown that particular attention must be paid to answer the question of the availability of any necessary follow-up/replacement financing.

It must also be demonstrated that the financing is required and will be used in accordance with the purpose of the company. These requirements are not only to be met at the beginning of the financing relationship; rather, the extent to which excess liquidity generated during the term of the loan, for example, is used for repayment purposes should also be included in the assessment.

Finally, the German taxpayer is faced with an increased workload in two respects if they wish to deviate from the group rating. Firstly, the group rating must be determined and the individual rating of the borrower then derived from this; a 'free' determination of the individual rating is ruled out. Secondly, the borrower must prove that it is not the group rating but the individual rating that corresponds to the arm's-length principle in the individual case.

b) Forwarding/intermediation of financing relationships, treasury management and financing companies

As the new transfer pricing rules also apply from 2024 to previously agreed transactions without transitional provisions, it may be necessary to review and potentially redefine the appropriate remuneration in accordance with the aforementioned rules.

If the taxpayer does not handle the transactions mentioned as routine services in the sense described above, detailed evidence of the functions performed, risks assumed and assets used will be of considerable importance from 2024 at the latest. Companies will often be well advised to focus their attention on the corresponding analysis and its documentation.

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PKF Comment

Dr Dietrich Jacobs (dietrich.jacobs@pkf-fasselt.de; **+49 40 180401 210**), Lars Heymann (lars.heymann@pkf-fasselt.de; **+49 40 180401 301**) and Martin Weiss (weiss.maciel@pkf-fasselt.de; **+49 40 180401 142**) will be pleased to answer any questions you may have on German transfer pricing and German international tax law.

BACK ↗

Ghana

Recent case law on withholding tax for payments made to non-resident persons for international interconnect and roaming services

Scancom PLC, MTN House vs the Commissioner-General of the Ghana Revenue Authority, in an appeal suit number CM/TAX/0235/2022 dated 27 March 2024 in the matter of appealing against the ruling of the High Court, Commercial Division.

Scancom PLC filed an instant tax appeal on 9 November 2021 against the decision of the Commissioner-General, Ghana Revenue Authority (GRA) ordering Scancom PLC to pay an amount of GH₵ 281,509,171.65 to the Commissioner-General, as withholding tax for payments made to non-resident persons for international interconnect and roaming services provided to Scancom PLC.

Ruling

The Appeal Court allowed the appeal in its entirety and the following reliefs were granted to Scancom PLC:

- The decision of the respondent (i.e. the GRA) imposing a principal withholding tax liability of GH₵ 97,280,487.57, as well as penalties and interest of GH₵ 142,554,063.98, on international interconnect charges paid by the appellant to non-resident persons was reversed.
- The decision of the respondent imposing a principal withholding tax liability of GH₵ 16,351,199.35, as well as penalties and interest of GH₵ 25,323,420.76, on roaming charges paid by the appellant to non-resident persons was reversed.
- It was further ordered that parts of the GRA's tax assessment dated 4 May 2021 relating to withholding taxes on international interconnect charges be annulled.
- The request for an order overturning the respondent's objection decision dated 8 October 2021 relating to withholding taxes on interconnect charges and roaming charges was granted.

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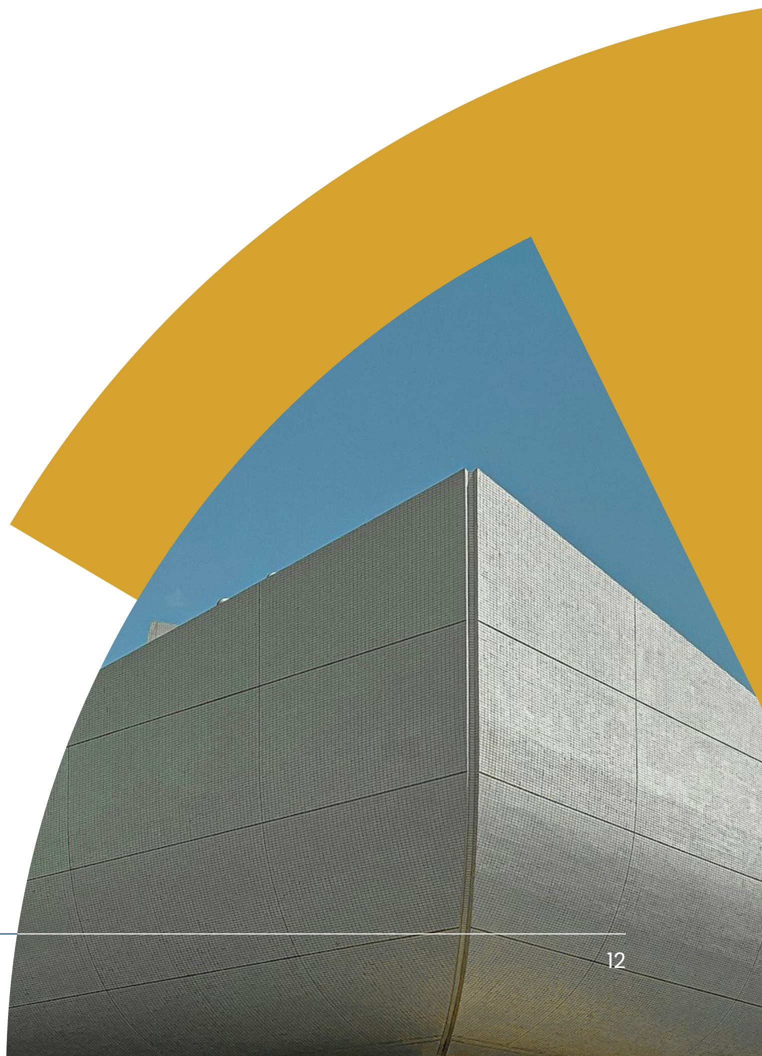
PKF Comment

If you believe the above case law may impact your business or personal situation or require any advice with respect to Ghanaian taxation, please contact Albert Cofie at **albert.cofie@pkfghana.com** at or call **+233 302 221 216**.

BACK ↗



Greece

Minimum income from business activity of natural persons

Law 5073/2023 recently introduced a series of amendments to Greek tax legislation, one of which is the minimum (imputed) income from business activity of natural persons. This will be effective for income of tax years 2023 onwards.

As a general rule, a self-employed person or a freelancer is deemed to earn the greater of the applicable minimum wage or the salary of the highest paid individual employed by the self-employed person or freelancer.

In particular:

1. A self-employed person or freelancer is deemed to earn the greater of: (a) the applicable minimum wage, increased by 10% after the first six years of professional activity, by an additional 10% after the next three-year period and by a further 10% after the second three-year period following the first six years of professional activity; and (b) the salary of the highest paid individual employed by the self-employed person or freelancer. A cap of €30,000 is applied to the amount in step 1.
2. Furthermore, the freelancer or self-employed person's profit is deemed to include an amount of 10% of the annual labour costs of the business, up to a maximum of €15,000.
3. The deemed business income is also increased by 5% of the amount by which the self-employed person's turnover exceeds the average turnover of the relevant tax activity code number (i.e. the code applicable to the business activity from which the self-employed person derives the highest revenue).

The total annual (imputed) business income of the individual is computed as the sum of the above amounts (1), (2) and (3) and cannot exceed an amount of €50,000 per year.

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PKF Comment

For further information concerning the above or any service request with respect to Greek taxation, please contact Dora Kappou at kappoud@pkf.com.gr or call **+30 693 801 3360**.

BACK ↗

Hong Kong

Introduction of a 'patent box' tax incentive in Hong Kong

On 28 March 2024, the Hong Kong government published the Inland Revenue (Amendment) (Tax Concessions for Intellectual Property Income) Bill 2024 ('the Bill') to implement a 'patent box' regime. The Bill aims to strengthen Hong Kong's competitiveness as a regional intellectual property (IP) trading centre by encouraging businesses to engage in more research and development (R&D) and commercialisation of R&D results.

The concessionary tax rate for the patent box regime is set at 5%, which is substantially lower than the prevailing standard profits tax (corporate income tax) rate in Hong Kong (i.e. 16.5%). The concessionary tax rate will be applicable for eligible IP income derived from eligible IP assets (i.e. patents, plant variety rights and copyrighted software), subject to certain conditions.

The nexus approach adopted by the OECD under Action 5 of the Base Erosion and Profit Shifting package will be used to determine the extent of eligible IP income that qualifies for preferential tax treatment. In brief, the portion of income from an eligible IP asset is calculated based on the nexus ratio of the eligible expenditure to overall expenditure incurred by the taxpayer to develop the IP asset.

Once the Bill is enacted, the patent box regime will apply retrospectively from the year of assessment 2023/24 (i.e. financial years that ended between 1 April 2023 and 31 March 2024).

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PKF Comment

The patent box regime in Hong Kong is expected to encourage businesses to engage in more R&D and IP trading activities. This will lead to the creation of more business and employment opportunities for professional services such as legal, valuation, management, consultation and agency services. At the same time, taxpayers involved in R&D and IP trading activities should seek professional advice proactively to assess the related tax impacts when the 'patent box' regime is enacted.

For further information concerning the above or any service request with respect to Hong Kong taxation, please contact Henry Fung (Tax Partner) at henryfung@pkf-hk.com or call **+852 2806 3822**.

BACK

India

India and Mauritius sign protocol amending the India–Mauritius tax treaty

Historically, tax residents of Mauritius have enjoyed beneficial tax treatment in terms of the India–Mauritius tax treaty, in particular for capital gains on the sale of shares in Indian companies. This led to increased foreign investment inflows into India in the past through special investment vehicles and funds set up in Mauritius.

Through issuance of Circular 789 dated 13 April 2000 by the Finance Ministry, it was admitted by the income tax department that a tax residence certificate (TRC) issued by the Mauritian authorities would constitute sufficient evidence of residence to claim benefits under the tax treaty.

Based on this Circular, the courts in India have repeatedly endorsed this investment route by ruling that holding a Mauritian TRC suffices and that the creation of investment structures in Mauritius for the purpose of claiming a tax benefit is legally valid. The validity of this Circular 789 was also challenged before the Supreme Court of India. In 2004 the apex court ruled in favour of the India–Mauritius tax treaty and upheld Circular 789.

From April 2017, the treaty was amended to enable taxation of any capital gains arising to a Mauritius investor from shares held in any Indian company. A grandfathering benefit was granted to investments made prior to April 2017.

Simultaneously, general anti-avoidance rules (GAAR) were introduced in Indian tax law, which entitled the tax authorities to disregard any arrangement as impermissible where the main purpose was to obtain a tax benefit. Interestingly, any investments made prior to April 2017 were also given immunity from the applicability of GAAR.

Despite the grandfathering benefits, the tax department in India continued to question the intent behind the creation of a Mauritian entity and its commercial substance to deny tax benefits.

Significant event now (summarised)

India and Mauritius have signed the protocol amending their double taxation avoidance agreement (DTAA), which now incorporates the principal purpose test (PPT). This provision serves as a criterion to determine the eligibility of foreign investors to make use of benefits under the India–Mauritius DTAA.

The two countries signed the agreement in New Delhi on 7 March 2024. One of the highlights of this agreement is the inclusion of a PPT, which will ensure that the tax avoidance benefit is only granted for transactions with a bona fide purpose. The move can be viewed as an attempt by the country to keep tabs on any treaty abuse or treaty-shopping treatment.

The protocol contains three Articles:

i. **Article replacing the existing preamble of the India–Mauritius tax treaty**

Article 1 of the protocol replaces the existing preamble of the India–Mauritius tax treaty as follows:

'The Government of the Republic of India and the Government of the Republic Mauritius Intending to eliminate double taxation with respect to the taxes covered by this Convention without creating opportunities for non-taxation or reduced taxation through tax evasion or avoidance (including through treaty-shopping arrangements aimed at obtaining reliefs provided in this Convention for the indirect benefit of residents of third jurisdictions), Have agreed as follows:'

ii. **New Article 27B (relating to Entitlement to Benefits)**

'Article 27B ENTITLEMENT TO BENEFITS

Notwithstanding the other provisions of this Convention, a benefit under this Convention shall not be granted in respect of an item of income if it is reasonable to conclude, having regard to all relevant facts and circumstances, that obtaining that benefit was one of the principal purposes of any arrangement or transaction that resulted directly or indirectly in that benefit, unless it is established that granting that benefit in these circumstances would be in accordance with the object and purpose of the relevant provisions of this Convention.'

iii. **Date of entry into force of the protocol**

'(1) Each of the Contracting States shall notify to the other the completion of the procedures required by its law for the bringing into force of this Protocol. This Protocol shall enter into force on the date of the later of these notifications. (2) The provisions of this Protocol shall have effect from the date of entry into force of the Protocol, without regard to the date on which the taxes are levied or the taxable years to which the taxes relate.'

Conclusion

India adopted the Multilateral Convention ('MLI') in 2019 with a view to implementing tax treaty related measures to prevent Base Erosion and Profit Shifting. This allowed several tax treaties to be amended based on the adoption of specified MLI positions without the need for bilateral treaty negotiations, including the introduction of the PPT, to prevent treaty abuse. The India–Mauritius tax treaty had not been covered under MLI provisions and has had bilateral negotiations for amendments.

With the latest DTAA amendment in place, entities with their headquarters in Mauritius will now need to comply with the PPT mandate, which means they will need to provide evidence that the Mauritian corporation is a fully operational, staffed business and not just a shell company.

PKF Comment

This is a significant event as, based on the PPT, tax treaty benefits could be denied if one of the principal purposes of undertaking a transaction was to obtain treaty benefits.

One may need to evaluate:

- whether the protocol, once notified, would apply prospectively or retrospectively; and
- the impact of the protocol on the grandfathering benefit provided for capital gains exemption on the sale of shares in an Indian company (acquired up to 31 March 2017).

However, it is pertinent to note that the protocol is yet to be notified in the Official Gazette and the government is yet to issue its clarifications, if any.

If you believe the above measures may impact your business or require any advice with respect to Indian taxation, please contact Sudha Ashok at sudha.a@pkfindia.in or call **+91 44 2811 2985.**

BACK

Italy

Reshoring in Italy: 50% tax reduction for six tax periods

Pursuant to art. 6 of Legislative Decree No. 209/2023 ('International Taxation' implementing Legislative Decree No. 111/2023), a preferential tax regime for the transfer to Italy of economic activities previously carried out in non-EU countries (so-called 'reshoring') has been introduced to encourage the establishment of economic activities in Italy.

The regime provides for a 50% income tax relief for six tax periods, in relation to IRES and IRAP taxable income for businesses and professional companies that transfer their economic activities to Italy from non-EU countries.

The regime, that envisages endorsement from the EC, still has application uncertainties in relation to the transfer of activities, the 'recapture' mechanism, the effective date of the relief and the treatment of losses relating to reshoring companies.

The legislation only considers the transfer of businesses already operating in non-EU countries and does not refer to start-ups that establish new activities in Italy.

Moreover, in order to be eligible for the aforementioned tax benefit, the new business must be maintained in Italy for the subsequent five years (or 10 years in the case of large companies), otherwise the company will be required to repay the tax savings made under the regime, together with interest.

The tax savings would also be recovered if the company relocates outside of Italy during the five or 10 tax periods (as applicable) following the expiration of the preferential tax regime. This recapture mechanism would apply even if there is only a partial transfer of activities outside of Italy (e.g. the relocation of a single branch). In such cases, the recovery would involve the 50% unpaid taxes.

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PKF Comment

If you believe the above measure may have an impact on your clients and you need to be supported on this subject, our team in Italy will be available to provide any additional information you may need.

You can contact our professional Tax experts at PKF Studio TCL – Tax Consulting Legal at g.podesta@pkf-tclsquare.it or call Giulia Podesta at **+39 010 582 802** (Genoa office).

BACK

Declaration of inheritance and trust

In response to tax ruling No. 90 dated 11 April 2024, the Italian Tax Agency stated that, in the event that a person has designated as universal heir a previously set-up trust, the trustee obliged to file the declaration of inheritance must carry out due fulfilments by submitting paper Form 4 to the territorial office based on the last domicile of the deceased, as indicated by the Tax Agency on 5 April 2024.

Testamentary trusts are also subject to the principle of deferred indirect taxation, by virtue of which the deeds of establishment and endowment of trusts put in place by the settlor are not subject to gift or inheritance tax (which will be applied at the time of the final transfer to the beneficiaries). Rather, such deeds are only subject to mortgage and cadastral taxes at a flat rate (in the presence of real estate properties), due to the fact that they do not grant the trustee the final ownership of the assets, thus implying a real enrichment, but only the power to manage and control them, under asset segregation, before their final transfer to the beneficiaries.

Therefore, being currently impossible to submit a digital declaration of inheritance with the calculation of fixed (and not proportional) mortgage and cadastral taxes, it will be necessary to submit a paper form.

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PKF Comment

If you believe the above measure may have an impact on your clients and you need to be supported on this subject, our team in Italy will be available to provide any additional information you may need.

You can contact our professional Tax experts at PKF Studio TCL – Tax Consulting Legal at s.quaglia@pkf-tclsquare.it or call Stefano Quaglia at **+39 02 9285 4246** (Milan office).

BACK

Changes to the inward expatriates regime

Legislative Decree No. 209/2023 implementing a reform of the domestic rules relating to the international taxation of individuals was gazetted.

Individuals transferring their tax residence to Italy on or after 1 January 2024 may benefit from a 50% (previously, 70% or 90%) exemption of their Italian-source employment and self-employment income up to €600,000, subject to the following conditions:

- they commit to maintaining their residence in Italy for at least four (previously, two) years;
- they were not resident in Italy in the three (previously, two) years preceding the transfer. However, if they stay employed with the same employer they had before the transfer, or with a person of the same group, the required period increases to six or seven years, depending on the specific circumstances;
- they are mainly working in Italy; and
- they qualify as highly skilled or specialised workers, as defined by Legislative Decree No. 108/2012 and Legislative Decree No. 206/2007.

Subject to certain conditions, the exemption may increase to 60%.

The favourable regime applies for five consecutive tax years starting from the tax year in which the individual transfers their tax residence and it cannot be extended beyond this period.

Amendments to CFC rules

In order to simplify domestic controlled foreign company (CFC) rules and align them with the Pillar 2 provisions, Legislative Decree No. 209/2023 amended the effective tax rate (ETR) test for CFCs. This test, when met concurrently with another condition, triggers the activation of the CFC regime.

Under the revised test, the CFC rules apply if the foreign entity is subject to an ETR lower than 15%, calculated as the ratio between the current and deferred income taxes and the earnings before taxes resulting from its financial statements certified by authorised auditors in the foreign jurisdiction. If the ETR is below 15% or the financial statements lack certification by authorised auditors, the CFC rules apply only if the foreign entity is subject to an ETR lower than 50% of the corporate income tax rate applicable to that entity if it were an Italian resident. The calculation of the ETR also includes any qualified domestic minimum top-up tax due by the foreign entity calculated with a specific allocation formula.

Regarding audited CFCs, the controlling company may opt – as an alternative to the ETR test – for the payment of a 15% substitute tax calculated on the net income before taxes without considering asset write-offs and risk provisions.

By way of Protocol No. 213637/2024 of 30 April 2024, the tax authorities have issued implementing rules on the abovementioned optional payment of a 15% substitute tax as an alternative to applying the CFC rules to qualifying non-resident entities. Controlling persons may opt to pay a 15% substitute tax computed on the net income before taxes of the non-resident entity, without considering asset write-offs and risk provisions, if more than one third of its revenues are derived from qualifying passive income and if its financial statements are certified by authorised auditors in the foreign jurisdiction. The election applies to three fiscal years and cannot be revoked.

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PKF Comment

If you believe the above measures may impact your business or personal situation or require any advice with respect to Italian taxation, please contact Federica Godoli at **fgodoli@studiogodoli.it** or call **+ 39 051 232 450** (Bologna office).

BACK

Jamaica

2024/25 national budget changes

Reduction in corporate income tax rate for renewable energy IPPs

In order to encourage investment in renewable energy, thereby promoting the growth of the renewable energy sector, reduce greenhouse gas emissions and enhance energy independence, the Income Tax Act will be amended to conditionally exclude independent power producers (IPPs) from the definition of regulated companies. This measure is intended to give investors more confidence in the energy sector, provide more capital for investment in renewable energy technologies leading to economic growth and development.

Regulated companies are liable to corporate income tax (CIT) at the rate of 33⅓% rather than the CIT rate of 25% for unregulated companies. Regulated companies are those regulated by the Bank of Jamaica, the Financial Services Commission (FSC) or the Office of Utilities Regulation (OUR). The OUR regulates IPPs who generate and supply electricity from renewable sources to the Jamaica Public Service Company (JPSCo) pursuant to power purchase agreements. Effective from the year of assessment 2023, an IPP that generates 75% or more of its production from renewable sources (wind or solar) shall be liable to the CIT rate of 25% but will be ineligible to claim employment tax credit (ETC) in computing its net CIT liability. ETC is claimable where payroll taxes are paid by the due date.

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PKF Comment

The Jamaican government is ensuring that the Income Tax Act provides the tax incentives required to support its policies to foster economic growth, starting with the renewable energy sector.

Reduction in CIT rate for regulated trust and corporate service providers

The Trust and Corporate Services Providers Act which regulates service providers engaged in the provision of regulated trust and corporate services was brought into operation in 2023, requiring such companies to be licensed and regulated by the FSC. This meant that, as regulated companies, these entities would be taxable at 33⅓%, which was not the intention of the tax policy guidelines. The Income Tax Act will therefore be amended to specify that the income tax rate of 25% is applicable to companies providing only trust and corporate services.

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PKF Comment

This amendment will remove the uncertainty and put these service providers back into the same income tax position as if they were not regulated by the FSC.

Increase in maximum participating voting share capital for companies listed on the junior stock exchange from J$500 million to J$750 million.

In an effort to encourage growth of the micro, small and medium-sized enterprise (MSME) sector, the Income Tax Act will be amended to increase the maximum participating voting share capital for companies listed on the junior stock exchange (JnrSE) from J$500 million to J$750 million, effective from the year of assessment 2024. This measure will encourage more MSMEs to benefit from the tax incentives available for companies listing on the JnrSE. This will provide the opportunity for companies to raise capital, thereby improving productivity and profitability, and drive economic growth while promoting and encouraging local entrepreneurship.

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PKF Comment

It is expected that the increase in the capital to J$750 million will be welcomed by the market.

Increase in annual personal income tax-free threshold

With effect from 1 April 2024, the personal income tax threshold was increased from J$1,500,096 per annum to J$1,700,088 per annum (J$141,674 per month; J$32,694 per week) for individual taxpayers (who are tax resident in Jamaica). The effective annual tax-free threshold for 2024 will be J$1,650,090.

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PKF Comment

Apportionment of the previous and increased income tax thresholds may be administratively challenging for taxpayers.

Increase in pension income exemption and age allowance

Previously, there was an income tax exemption of J$80,000 in respect of pension income for pensioners aged 55 years and over, and individuals 65 years and older were entitled to an age exemption of J$80,000 in respect of income from any source. With effect from 1 April 2024, both exemptions were increased to J$250,040 per annum. The effective annual exemptions for 2024 will be J$207,530 each.

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PKF Comment

The additional tax exemptions are welcomed for the elderly as well as pensioners who depend on fixed incomes. A pensioner over the age of 65 years will now benefit from the increased income tax threshold of J$1,700,088, the pension exemption of J$250,040 and the age exemption of J$250,040. The total tax-free threshold and exemptions will be J$2,065,150 for 2024 and J$2,200,168 from 1 January 2025.

Increase in de minimis value for imported goods for customs purposes

The de minimis value of imported goods is a minimum value on which no duties or taxes are charged. The de minimis value will be increased from US$50 to US$100. This became effective in April 2024.

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PKF Comment

The fees/charges from these low value imports were very low, therefore this increase should lead to administrative efficiency and allow for a redirection of resources to focus on higher value imported items.

Increase in passenger duty-free threshold for personal/household effects

There has been an increase in the passenger duty-free threshold for personal/household effects, not imported for sale or commercial exchange from US$500 to US$1,000. This became effective in April 2024.

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PKF Comment

This increase in the passenger duty-free threshold is welcomed by passengers due to the increased cost of personal and household items. It should also result in faster movement through the ports of entry.

Standardising the general consumption tax treatment of raw foodstuff

General consumption tax (GCT) is not charged on the supply within Jamaica of raw unprocessed foodstuff (e.g. fruits, vegetables, meats, fish, ground provisions, legumes, etc.) The exemption from GCT was also extended to raw foodstuff imported from within CARICOM but GCT at the standard rate of 15% was charged on imports of raw unprocessed foodstuff from outside of the CARICOM Community. However, Jamaica is a member of the World Trade Organization (WTO), and is obligated to abide by the rules of the WTO. Based on the national treatment principle set out in the General Agreement on Tariff and Trade (GATT), Jamaica is not permitted to implement policies or measures designed to protect domestic products. Therefore, to ensure compliance with its trade obligations, GCT on imported raw foodstuff will be removed in the first quarter of financial year 2024/2025.

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PKF Comment

These measures by the Jamaican government are important to ensure that there is compliance with international commitments under GATT thereby avoiding sanctions over a breach of rules.

Reverse income tax credit for individuals who file and pay on time

The government of Jamaica has introduced a reverse tax credit of J$20,000 for calendar year 2023 if individuals earning below J$3,000,000 complete their filings and payment by 31 March 2024. This applies to both self-employed and employed pay-as-you-earn (PAYE) individuals. Payment of the reverse credit will be effected through an online system operated by Tax Administration Jamaica (TAJ) and payment will be effected through a direct funds transfer facility. This system will be operationalised by the second quarter of financial year 2024/2025.

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PKF Comment

It is hoped that this measure would encourage individuals to file and pay their 2023 returns in a timely manner.

Removal of GCT on armoured cash courier vehicles

The armoured cash courier industry plays an integral role in the financial services industry. Business owners and operators, financial institutions and multi-branch bank operations rely on armoured cash courier companies which manage the cash logistics of these businesses. Companies operating an approved cash courier business will be relieved of GCT and special consumption tax (SCT) and will be subject to a common external tariff (CET) of 5%. This benefit will only be applied to cost insurance freight (CIF) value in excess of US$33,000 or the added cost of armouring existing courier vehicles. The benefit will be applicable to vehicles that have been imported and are pending final importation. This is effective from 1 April 2024 for 24 months. The measure is intended to enhance the activities of the industry by encouraging courier companies to invest in better security measures and upgrade their fleet.

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PKF Comment

This initiative seeks to provide support to the armoured cash courier industry thereby enhancing the safety of their staff in view of the recent criminal activities against couriers.

If you believe any of the above measures may impact your business or require any advice with respect to Jamaican taxation, please contact Charmaine Madden at charmaine.madden@afmpkf.com or call **+1 876 922 1074**.

BACK

Malta

Various updates on pensions, EU global minimum level of taxation for MNEs, seed investment schemes and income from artistic activities

Pensions (Tax Exemption) (Amendment) Rules, 2024

LN 5 of 2024 released on 12 January 2024, revises the maximum allowable pension income exempt from taxation starting from the tax year 2025 onwards, as outlined in the Pensions (Tax Exemption) Rules initially introduced in 2022. These updated thresholds apply to pension income received on or after 1 January 2024, by individuals aged at least 61 in the year they receive the pension income.

The exemptions are specifically relevant to pension income that would otherwise be taxable under article 4(1)(d) of the Income Tax Act (ITA). The revised amounts are as follows:

Applicability of the exemption	Amount exempt
Pension income derived in the year immediately preceding the year of assessment 2023	20%, but not exceeding €2,864
Pension income derived in the year immediately preceding the year of assessment 2024	40%, but not exceeding €5,987
Pension income derived in the year immediately preceding the year of assessment 2025	60%, but not exceeding €9,732
Pension income derived in the year immediately preceding the year of assessment 2026	80%, but not exceeding €12,976
Pension income derived in the year immediately preceding the year of assessment 2027 and in subsequent years	100%, but not exceeding €16,220

European Union Global Minimum Level of Taxation for Multinational Enterprise Groups and Large-Scale Domestic Groups Regulations, 2024

LN 32 of 2024 puts in place Malta's limited transposition obligations stemming from the so-called Pillar 2 directive (Council Directive (EU) 2022/2523 of 14 December 2022 laying down rules on ensuring a global minimum level of taxation for multinational enterprise groups and large-scale domestic groups in the EU). The regulations shall apply to constituent entities located in Malta who are members of a multinational enterprise group or of a large-scale domestic group, which have an annual group-wide revenue of €750 million or more.

Given the derogation availed of, Malta will apply a temporary exception (for up to six consecutive fiscal years as from 31 December 2023) from the application of the income inclusion rule (IIR) and the undertaxed profits rule (UTPR). However, delaying Member States (like Malta) still have limited transposition obligations, and this is what LN 32 of 2024 provides for. In essence, the legal

notice obliges the domestic ultimate parent entities to nominate a designated filing entity in another Member State or a third country and for constituent entities to provide the necessary information that is required for the application of such rules by other jurisdictions. It furthermore requires constituent entities located in Malta to also notify the Commissioner for Tax & Customs of the identity of the entity that is filing the top-up tax information return as well as the jurisdiction in which it is located. Kindly also refer to the guidance note on Malta Tax & Customs Administration's website (please see here) which was prepared to supplement and give some context to LN 32 of 2024.

Seed Investment Scheme (Income Tax) Rules, 2024

LN 45 of 2024 extends the Seed Investment Scheme Rules to 2026. Qualifying investors may benefit from a tax credit equivalent to an amount equal to 35% of the aggregate value of the investments made by the investor in one or more qualifying companies. This applies when investing up to €750,000 per qualifying company on investments made in a qualifying company and qualifying in terms of these rules. The investment must be held for a minimum of three years with the investor having no connection to the company prior to the investment and must be made within the first two years of the company being issued with a compliance certificate.

No deductions for losses on disposal or liquidation of investments are allowed. Any capital gains made within three years of an investment shall be calculated on the basis of the higher of the market value of the investment and the consideration received by the qualifying investor. No deductions are permitted. Investments held for more than three years are exempt from tax.

This scheme is capped at a maximum investment in qualifying companies of €5 million.

Income from Artistic Activity Rules, 2024

LN 8 of 2024 indicates that income thresholds for the reduced rate of tax (7.5%) arising under article 56(26A) of the ITA referring to artistic activities for year of assessment 2023 is €30,000, while from year of assessment 2024 onwards it will be €50,000. The amounts are based on gross income before deductions. Such income must be reported to the Commissioner by no later than 30 April of the relevant year of assessment. Income earned above these thresholds must be reported in an individual's annual tax return, and deductions shall in no instance exceed the amount declared. The provisions of article 90A of the ITA relating to part-time work shall not apply.

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PKF Comment

If you believe the above measures may impact your business or personal situation or require any advice with respect to Maltese taxation, please contact George Mangion at gmm@pkfmalta.com or call **+356 21 484 373**.

BACK

Romania

Updates on tax treaties, e-invoicing sanctions and VAT

Tax treaty between Romania and Liechtenstein enters into force

On 29 February 2024, the Romania–Liechtenstein tax treaty entered into force. The treaty generally applies from 1 January 2025 for withholding and other taxes.

- Dividends will be subject to a 0% withholding tax rate if the beneficial owner is a company (other than a partnership that is not liable to tax) which holds directly at least 10% of the capital of the company paying the dividends for an uninterrupted period of at least one year. A 10% rate applies in all other cases.
- Interest will be subject to a 5% withholding tax rate.
- Royalties will be subject to a 5% withholding tax rate.

E-invoicing sanctions postponed

Government Emergency Ordinance No. 30/2024 was gazetted containing, among other provisions, clarifications and amendments to Law No. 296/2023 with regard to fines related to e-invoices that are issued through the national electronic invoicing system RO e-Factura.

- The period during which no sanctions are applied for non-compliance with the transmission deadline of invoices in the national electronic invoicing system RO e-Factura is extended by two months, from 31 March until 31 May 2024 (previously sanctions were to be applied from 1 April 2024).
- No fines will be applied to invoices with an RO e-Factura system transmission deadline of 31 May 2024.
- Failure to transmit e-invoices within the deadline of five working days after they are issued is sanctioned by month (only one sanction imposed for a month in which the submission deadline was breached) and not by the number of occurrences (invoices reported late).

Adjustment to the VAT taxable base

The tax base is reduced if price reductions are granted after the delivery of goods or the provision of services. Domestic legislation has therefore been harmonised with the case law of the European Court of Justice (C-717/19 Boehringer Ingelheim) and price reductions can be granted after delivery/performance, regardless of whether or not they were granted directly to the customer. Previously, these price reductions could only be granted to direct customers.

If the price reductions are not granted directly to the customer, the suppliers of goods and/or service providers must issue a centralising document for each fiscal period in order to adjust the tax base.

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PKF Comment

If you believe the above measures may impact your business or personal situation, or require any advice with respect to Romanian taxation, please contact Florentina Susnea at **florentina.susnea@pkffinconta.ro** or call **+40 213 173 190/ +40 722 209 753**.

BACK

Singapore

New e-tax guide on GST transfer pricing adjustments

On 1 January 2024, the Inland Revenue Authority of Singapore (IRAS) published the fifth edition of an e-tax guide titled: [GST: Transfer Pricing Adjustments](). The guide explains the GST treatment for adjustments on the transfer prices of transactions between related parties.

Primarily, the updated e-tax guide provides guidance on making corresponding GST adjustments where there is a transfer pricing (TP) adjustment that results in either an increase or decrease in the price of the supply or import of goods or services and the TP adjustment is either effected through the financial statements or is taxable or allowable for income tax purposes.

Further, this updated e-tax guide also provides for an 'administrative concession' wherein the relevant tax authority would not require GST adjustments for TP adjustments in certain specific circumstances, regardless of whether it results in an increase or decrease in price.

Budget 2024 announcement of adoption of OECD Pillar 2 provisions

Under the Pillar 2 Global Anti-Base Erosion (GloBE) rules of the OECD Base Erosion and Profit Shifting (BEPS) 2.0 project, multinational enterprise (MNE) groups that are in scope of the GloBE rules (with annual consolidated revenues exceeding €750 million) will be subject to a minimum effective tax rate (ETR) of 15%. In response to the GloBE rules, Singapore has announced that it will implement two aspects of these rules from companies' financial year commencing on or after 1 January 2025:

- the income inclusion rule (IIR), which subjects the overseas profits of MNE groups parented in Singapore to a minimum ETR of 15%; and
- the domestic top-up tax (DTT), which subjects MNE groups with entities operating in Singapore to a top-up tax that brings the total amount of taxes paid on their Singapore profits to 15%.

However, the undertaxed profits rule under the GloBE rules remains under consideration and will not be introduced for the time being.

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PKF Comment

If you believe any of the above measures may impact your business or personal situation or require any advice with respect to Singaporean taxation, please contact Bun Hiong Goh at **bunhiong@pkf.com** or call **+65 6500 9359**.

BACK

Slovak Republic

Update on transfer pricing documentation

General

In recent years, taxpayers in Slovakia have faced increased scrutiny and tax audits with respect to transfer pricing which in many instances have led to significant findings by the tax authorities.

According to the Slovak Income Tax Act (SITA), taxpayers are obliged to submit transfer pricing documentation (TPD) within 15 days of the delivery of a request from the tax authorities which may be requested no earlier than the first day following the deadline for filing the tax return for the respective tax period. It means that for taxpayers whose tax period is a calendar year, tax returns for 2023 had to be submitted no later than 2 April 2024 (if the deadline was not extended by three or six months, depending on circumstances). If requested by the tax authorities, taxpayers may be required to submit 2023 TPD (or TPD for previous years).

It is crucial to adhere to these deadlines to ensure compliance with tax regulations. Failure to submit TPD upon written request by the tax authorities may result in penalties of up to €3,000 (which may be levied repeatedly) or other legal consequences.

Below are some key features which should be considered in line with transfer pricing rules in Slovakia:

I. Definition of a related party

According to SITA, a related party is defined as:

a) a close person;

b) a person or entity with economic, personal or other ties;

c) a person or entity that is part of a consolidated group for the purposes of consolidation.

II. Precise definition of significant controlled transactions

A qualified controlled transaction is defined as a legal relationship or other similar arrangement in which one or more related parties generate taxable income or tax-deductible expenses exceeding €10,000. Loans or credits are considered significant for transfer pricing purposes if the principal amount exceeds €50,000. Slovakia has thus introduced so-called 'safe harbour' rules in the field of transfer pricing, giving rise to a reduction in the administrative burden for taxpayers.

Slovak transfer pricing rules cover both domestic and foreign controlled transactions.

III. Content and types of TPD

In Slovakia there are currently three types of TPD which taxpayers should have in place, depending on various criteria (shortened, basic or full-scope). The criteria and content of each type of TPD is defined by the guidelines issued by the Ministry of Finance of the Slovak Republic which are basically aligned with the principles established in the OECD Transfer Pricing Guidelines as well as with the resolution of the Council of Representatives of the Member States of the EU from 27 June 2006 on the code of conduct on transfer pricing documentation.

IV. Possibility to submit TPD in foreign languages

The SITA allows taxpayers to submit TPD in a foreign language without prior approval. However, the tax authorities still have still the right to request TPD (or at least part of it) to be translated into the Slovak language which is the official language for tax proceedings in Slovakia.

V. Transfer pricing methods

The SITA allows the application of the following methods for determining transfer prices between related parties:

a) comparable uncontrolled price method (CUPM)

b) cost plus method (CPM)

c) resale price method (RPM)

d) profit split method (PSM)

e) transactional net margin method (TNMM).

VI. Use of the median in tax audits

The SITA includes a provision that allows the tax authorities to use the median value during tax audits as the most appropriate value for proving the arm's-length principle. Based on our experience, the tax authorities tend to apply the median value as a key indicator in benchmarking analyses without solid economic arguments.

Tax treaties with Albania and Azerbaijan enter into force

With effect from 1 April 2024, double tax treaties between Slovakia and Albania as well as between Slovakia and Azerbaijan have entered into force. These agreements aim to enhance economic cooperation by eliminating excessive taxation, reducing the tax burdens and preventing tax evasion and avoidance in the field of income tax.

Slovakia currently has a total of 72 tax treaties in force with countries all over the world.

Azerbaijan–Slovakia double tax treaty

- Dividends are subject to an 8% withholding tax rate if the beneficial owner is a company which holds directly at least 25% of the capital of the company paying the dividends throughout a 365-day period that includes the day of the payment of the dividend (for the purposes of computing that period, no account shall be taken of changes of ownership that would directly result from a corporate reorganisation, such as a merger or divisive reorganisation, of the company that holds the shares or that pays the dividend). A 10% withholding tax rate applies in all other cases.
- Interest is subject to an 8% withholding tax rate.
- Royalties paid for the use of or the right to use any patent, trademark, design or model, plan, secret formula or process, software, industrial, commercial or scientific equipment, or for information concerning industrial, commercial or scientific experience, are subject to a 5% withholding tax rate.
- Royalties paid for the use of or the right to use any copyright of literary, artistic or scientific work, including cinematograph films and films or tapes used for radio or television broadcasting and other means of image or sound reproduction, are subject to a 10% withholding tax rate.

Albania–Slovakia double tax treaty

- Dividends are subject to a 5% withholding tax rate if the beneficial owner is a company (other than a partnership) which holds directly at least 10% of the capital of the company paying the dividends throughout a 365-day period that includes the day of the payment of the dividend (for the purposes of computing that period, no account shall be taken of changes of ownership that would directly result from a corporate reorganisation, such as a merger or divisive reorganisation, of the company that holds the shares or that pays the dividend). An 8% withholding tax rate applies in all other cases.
- Interest is subject to a 10% withholding tax rate.
- Royalties are subject to an 8% withholding tax rate.

PKF Comment

If you believe the above measures may impact your business or personal situation, or require any advice with respect to Slovak taxation, please contact Pavol Schwartz at **schwartz@pkf.sk** or call **+421 948 274 280**.

BACK

Spain

2024 tax developments

A number of changes to tax laws were introduced for 2024:

Property tax

On 3 March 2024, the Resolution of the General Secretary of Autonomous Community and Local Financing was approved, which enables a system for the electronic application of the compensation for the loss of collection derived from the exemption established in the property tax regime that is granted to educational institutions under the educational agreement regime.

Annual Tax Control Plan 2024

The government has approved the general guidelines on the Annual Plan for Tax and Customs Control 2024, which breaks down the most relevant actions that the tax authorities (Agencia Estatal de Administración Tributaria, AEAT) will carry out in 2024 to promote compliance with tax obligations, based on the following five pillars:

- Information and assistance
- Prevention of non-compliance. The promotion of voluntary compliance and fraud prevention
- Investigation and verification of tax and customs fraud
- Fraud control in the collection phase
- Collaboration between the Tax Agency and the tax administrations of the autonomous communities.

During 2024, actions will be carried out for the analysis and, where appropriate, verification of digital services tax, financial transactions tax, the temporary solidarity tax of large fortunes and the temporary windfall energy and bank tax.

Approval of securities traded

Due to the upcoming start of the filing period for the wealth tax return for the year 2023 and the annual informative return on securities, insurance and income (Form 189), Order HAC/172/2024, dated 26 February 2024 and in force since 29 February 2024, approves the list of securities traded in trading centres, with their average trading value corresponding to the fourth quarter of 2023, for the purposes of the wealth tax return for the year 2023 and the annual informative return on securities, insurance and income.

The Ministry of Finance has approved the forms, procedures and filing periods for net wealth tax returns for the tax year 2023.

The submission period for net wealth tax returns is between 3 April 2024 and 1 July 2024.

With respect to net wealth tax, the following forms have been approved:

- Form D-714 relating to the net wealth tax return; and
- Form 714 relating to the payment of taxes due.

The tax forms were published in Ministerial Order HAC/265/2024 of 18 March 2024, azette on 22 March 2024 and entered into force on 23 March 2024.

Personal income tax news

With the approval of Royal Decree 142/2024, dated 6 February 2024, with effect from 8 February 2024 the personal income tax regulations were amended with respect to withholdings and payments on account.

Following these amendments, withholdings are aligned with the increase in the minimum interprofessional salary in 2024, which has been raised through Royal Decree 145/2024 of 6 February 2024 to €1,134 per month, with the objective that persons receiving this salary do not have to pay withholding tax on their payrolled earnings, raising the minimum amount for withholding from €15,000 to €15,876.

Set out below is a summary of the changes introduced regarding withholdings and payments on account on employment income:

1. **Quantitative limit excluding withholding obligation (art. 81.1 RIRPF)**

   In order to prevent workers who receive the minimum interprofessional salary from being liable to withholding or payments on account, paragraph 1 of article 81 of the RIRPF is modified, indicating the new amounts of employment income from which withholding and payments on account are made, depending on the number of children and other descendants and the taxpayer's situation.

Below are the amounts applicable until 7 February 2024 and the new amounts established by Royal Decree 142/2024, in force from 8 February 2024.

Taxpayer circumstances	Number of children and other descendants		
	0	1	2 or more
1) Taxpayer who is single, widowed, divorced or legally separated	--	€17,644 (previously €17,270)	€18,694 (previously €18,617)
2) Taxpayer whose spouse does not obtain income in excess of €1,500 annually, excluding exempt income	€17,197 (previously €16,696)	€18,130 (previously €17,894)	€19,262 (previously €19,241)
3) Other circumstances	€15,876 (previously €15,000)	€16,342 (previously €15,599)	€16,867 (previously €16,272)

2. Basis for calculating the withholding rate: New deduction amounts for net employment income of less than €19,747.50 (art. 83.3 (d) RIRPF)

The total amount of remuneration for work, in cash and in kind, will be reduced by the following amounts when net employment income is less than €19,747.50:

- If net employment income is equal to or less than €14,852: €7,302 per year.
- If net employment income is more than €14,852 and equal to or less than €17,673.52: €7,302 minus the result of multiplying by 1.75 the difference between the employment income and €14,852 per year.
- If net employment income is more than €17,673.52 and less than €19,747,50: €2,364.34 minus the result of multiplying by 1.14 the difference between the employment income and €17,673.52 per year.

In this way, the minimum interprofessional salary would not be liable to withholding. Further, the basis for calculating the applicable rate means that earnings close to the minimum interprofessional salary are subject to a lower level of withholding.

Transitional regime: Temporary effects of the new regulation

In order to clarify the temporary effects of the new regulation and reduce the administrative burden derived from its implementation, a new 21st transitory provision is introduced in the Personal Income Tax Regulation (Calculation of the withholding and payment on account rate in the 2024 tax period). In this sense, it is established that:

1. For the 2024 tax period, in order to determine the withholding or payment on account to be made on employment income paid prior to 8 February 2024, to which the general withholding procedure is applicable, the amounts provided for in article 81(1) and the reduction set out in article 83(3)(d) of this regulation, in force from 31 December 2023, will be taken into account.
2. In order to calculate the withholding or payment on account rate applicable to the income paid or credited as from 8 February 2024, the new wording in force of article 81 and article 83(3)(c) of the Personal Income Tax Regulation will be taken into account, regularising, if applicable, the withholding or payment on account rate in the first employment income paid or credited from that date. However, at the payer's option, this may be effected on the first employment income paid from March, in which case the withholding or payment on account rate to be applied on employment income paid prior to this date shall be determined taking into consideration the provisions of point 1 above.

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PKF Comment

If you believe the above measures may impact your business or personal situation or require any advice with respect to Spanish taxation, please contact Alberto Rodriguez at arodriguez@pkf-attest.es or call +34 945 137 426.

BACK

Switzerland

Federal Council releases proposal on individual taxation

The Federal Council released its proposal on the popular initiative 'For individual taxation regardless of marital status (tax justice initiative)' and the indirect counterproposal (Federal Act on Individual Taxation). The change from taxation of married couples to individual taxation could abolish the so-called marriage penalty and create positive incentives to earn a living. The Federal Council recommends rejecting the popular initiative in favour of the indirect counterproposal, which provides for all persons to be taxed individually regardless of their marital status. The income and assets of married couples will be divided according to their civil status, as is already the case today for unmarried couples. The tax rates for low and middle incomes will be lowered, the basic tax-free allowance will be increased and the amount at which the maximum rate of 11.5% is reached will be lowered.

Parliament has until 8 March 2025 to make a recommendation to accept or reject the popular initiative. The deadline can be extended by one year if a council has previously passed a resolution on the indirect counterproposal.

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PKF Comment

The implementation of individual taxation is necessary to foster the incentives for second earners towards an equal workforce. Hopefully, the Parliament will make a recommendation by 8 March 2025 in order for the process to proceed.

Developments regarding home office

The Federal Council released its proposal regarding the taxation of a home office by cross-border commuters. The aim is to create the legal basis for taxing cross-border commuters even if they are working in their home office abroad.

Double tax treaties generally stipulate that income from employment is taxed in the country in which it is physically carried out. A home office would therefore shift the right of taxation from the state in which the employer is based to the state in which the employee is resident.

The proposal is closely linked to the developments in international treaties and cross-border commuter agreements. Specifically, the agreements concluded with France and Italy mean that a home office held in these countries for a Swiss employer can continue to be taxed by Switzerland to a certain extent, even if the work is not physically performed in Switzerland (France, up to 40% of working time per year; Italy, up to 25% of working time). The proposal ensures the implementation of these new international treaty regulations in Switzerland.

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PKF Comment

Switzerland closes the current taxation gap for cross-border commuters.

International developments

On 10 March 2024, the European Free Trade Association (including Switzerland) signed a free trade agreement (FTA) with India. This agreement will significantly improve market access for Swiss export companies in India. India previously levied very high customs duties on imported products. For approximately 95% of imports of Swiss industrial products (excluding gold), the existing customs duties will be completely or partially lifted. Numerous Swiss companies will benefit from this.

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PKF Comment

The FTA fosters the relationship between India and Switzerland and leads to new potential opportunities for Swiss-based companies.

For further information or advice concerning Swiss unilateral and international taxation, please contact Dominique Kipfer at dominique.kipfer@pkf.ch or Rilana Wolf-Bayard at rilana.wolf@pkf.ch or call **+41 44 285 75 00**.

BACK

Trinidad and Tobago

2024 tax changes

On 21 December 2023, the government published the [Finance Act 2023] introducing a number of impactful measures.

Minimum wage

With effect from 1 January 2024, the minimum wage was increased from TT$17.50 to TT$20.50 per hour. The Minimum Wages Act, chapter 88:04 was amended accordingly.

The Tourism Accommodation Upgrade Project (TAUP): Small hotels

The TAUP incentive, which provides a reimbursable grant to eligible tourism accommodation facilities, was extended for another three years and is due to end on 31 October 2026.

Export sales of manufacturing companies: Business levy charge

With effect from 1 January 2024, income from export sales earned by manufacturing companies is exempt from the business levy. The Corporation Tax Act, chapter 75:02 was amended accordingly.

Energy sector: Supplemental petroleum tax

With regard to supplemental petroleum tax on producers of mature marine or small marine oilfields, the sustainability incentive was increased from 20% to 25%, with effect from 1 January 2024.

Additionally, effective from 1 January 2024, a new supplemental petroleum tax threshold of TT$75 per barrel has been introduced for small shallow water producers. The Petroleum Taxes Act, chapter 75:04 was amended accordingly.

Investment tax allowance: Cybersecurity

To incentivise companies to invest in cybersecurity, for the two-year period from 1 January 2024 to 31 December 2025, a cybersecurity investment tax allowance of up to TT$500,000 was introduced for companies which incur expenditure in respect of investments in cybersecurity software and network security monitoring equipment. Such expenditure must be certified by the National Information and Communication Technology Company Limited.

Exempt income: Expenditure incurred

With effect from 1 January 2024, expenditure incurred in earning tax-exempt income will be disallowed in the computation of tax liabilities. Where specific provisions of the tax law state otherwise, those specific provisions shall prevail.

Public and private schools: Corporate sponsorship

With effect from 1 January 2024, a 150% tax allowance of up to TT$500,000 has been introduced on corporate sponsorship to those public and private schools registered with the Ministry of Education.

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PKF Comment

If you believe the above may impact your business or personal situation or require any advice with respect to taxation in Trinidad and Tobago, please contact Renee-Lisa Philip at rlphilip@pkf.co.tt or call **+1 868 235 5063**.

BACK

Ukraine

Ukraine and Japan sign a double tax treaty

On 19 February 2024, Ukraine and Japan signed the 'Convention between the Government of Ukraine and the Government of Japan for the Elimination of Double Taxation with respect to Taxes on Income and the Prevention of Tax Evasion and Avoidance' and the protocol thereto. The document was signed in Tokyo during the Japan–Ukraine Conference for Promotion of Economic Growth and Reconstruction (JUCPEGR).

Currently, 71 double tax treaties are in force between Ukraine and other countries. Two of these treaties (with Spain and Japan) were concluded by the government of the Union of Soviet Socialist Republics (USSR) and continue to apply by succession rules until the entry into force of new agreements concluded by Ukraine. Therefore, the USSR treaties remain applicable in relations with Spain and Japan.

The new treaty was signed in order to replace the current USSR treaty.

The treaty and its protocol establish rules for the distribution between Ukraine and Japan of the rights to tax certain types of income derived by residents of one contracting state from sources in the other contracting state.

According to the Ministry of Finance of Ukraine, the new treaty sets the following withholding tax rates:

- Dividends: 5% for dividends received by a company resident in a contracting state that owns at least 25% of the capital of the company paying such dividends;
- Interest: 10% standard rate and 5% if the beneficial owner of the interest is a bank, an insurance company, a securities trader or a recognised pension fund;
- Royalties: 5%.

It is worth mentioning that the current double tax treaty with Japan prescribes higher tax rates than the new one, in particular: 15% for dividends, 10% for interest and 10% for royalties.

In addition, the new treaty defines the methods for the elimination of double taxation by the contracting states, establishes arrangements for the exchange of tax information between the tax authorities of Ukraine and Japan, and the mutual agreement procedure carried out by the competent authorities if a resident of one of the contracting states believes that, as a result of the actions of one or both of the contracting states, they are or will be subject to taxation that does not comply with the provisions of the treaty.

The new treaty and its protocol will enter into force upon completion of the necessary domestic procedures in both countries. Until this moment, the convention between the government of Japan and the government of the USSR for the avoidance of double taxation with respect to taxes on income will be applied for Ukraine–Japan tax issues.

PKF Comment

For over 30 years of its independence, Ukraine has been undertaking colossal efforts to update its legislation, not only to rid itself of its Soviet past but also to ensure that this legislation aligns with the best global practices and standards of democracy. The contracting states have been working on a new treaty for about three years, and finally, Japanese companies will no longer be subject to higher taxes in Ukraine than residents of other countries.

We also highlight that recently the Ukrainian Parliament terminated double tax treaties with the Islamic Republic of Iran, the Russian Federation and the Republic of Belarus. This was a kind of response to existing threats to the national interests and security of Ukraine, namely the full-scale war that Russia has unleashed and is waging against the Ukrainian people, accompanied by support from Belarus, which is a violation of international law. In turn, Iran is subject to EU, US and other countries' sanctions for the manufacture and supply of drones.

If you believe any of the above measures may impact your business or personal situation or require any advice with respect to Ukrainian taxation, please contact Sviatoslav Biloblovskiy at s.biloblovskiy@pkf.kiev.ua or Yuliia Yaniv at y.yaniv@pkf.kiev.ua or call **+380 44 501 25 31.**

BACK

United Arab Emirates

UAE tax updates

Corporate tax

The Federal Tax Authority (FTA) of the United Arab Emirates (UAE) has released the Corporate Tax Decree-Law, i.e. 'Federal Decree-Law No. 47 of 2022 – Taxation of Corporations and Businesses' ('Corporate Tax Decree-Law'/'CT Decree-Law') effective for financial years starting on or after 1 June 2023.

The Ministry of Finance (MoF)/FTA have also released several cabinet decisions, ministerial decisions and FTA decisions which provide further guidance on CT Decree-Law provisions. In addition to such decisions, the MoF has also released FAQs for additional clarification and guidance in this regard. The MoF has also recently released a 'Public Consolidation Document on Global Minimum Tax' ('PCD – GMT') seeking comments from the public.

Recently issued cabinet, ministerial and FTA decisions can be summarised as follows:

Sr.no	List of cabinet/ministerial/FTA decisions and explanation
1	**Federal Decree-Law No. 60 of 2023 – Amending Certain Provisions of the Federal Decree-Law No. 47 of 2022 on the Taxation of Corporations and Businesses** Two new definitions have been added to the definitions under article (1) of the CT Decree-Law No. 47 of 2022 which are as below: **Top-up tax:** The top-up tax imposed on multinational enterprises in accordance with this Decree-Law and the rules and controls to be determined by the Cabinet under article (3) of this Decree-Law for the purposes of the Pillar 2 rules issued by the OECD. **Multinational enterprise:** An entity and/or one or more of its member entities located in the state or in a foreign jurisdiction, as specified in a decision to be issued by the Cabinet at the suggestion of the minister. Also, a new clause has been inserted for imposing the top-up tax on multinational enterprises, so that the total percentage of the effective tax imposed on them is 15%.
2	**Cabinet Decision No. 10 of 2024, amending the schedule of violations and administrative penalties of Cabinet Decision No. 75 of 2023 on the administrative penalties for violations related to the application of Federal Decree-Law No. 47 of 2022 on the taxation of corporations and businesses** The decision provides that the failure of a taxable person to submit a tax registration application within the timeframe specified by the FTA in accordance with the corporate tax (CT) law will be liable for a penalty of AED 10,000.
3	**Federal Tax Authority Decision No. 3 of 2024 – Issued 22 February 2024 on the Timeline specified for Registration of Taxable Persons for Corporate Tax for the purposes of Federal Decree-Law No. 47 of 2022 on the Taxation of Corporations and Businesses and its amendments** The decision provides the timelines for submitting the corporate tax registration application for various persons including resident juridical persons, non-resident juridical persons and natural persons.
4	**There are certain guides that have been issued recently with regards to UAE CT law, as set out below:** ▪ **Taxation of Natural Persons under the Corporate Tax Law** – the guide provides guidance on the taxation of natural persons regarding the application of CT law, the calculation of taxable income and compliance requirements under the CT law for natural persons.

- **Exempt Persons: Public Benefit Entities, Pension Funds and Social Security Funds | CTGEPF1** – the guide provides general guidance to exempt persons regarding the conditions under the CT law for the exempt person.
- **Taxation of Extractive Business and Non-Extractive Natural Resource Business | CTGEPX1** – the guide provides general guidance on the extractive business and non-extractive natural resource business regarding the application of CT law, the calculation of taxable income and compliance requirements under the CT law.
- **Tax Groups | CTGTGR1** – the guide provides general guidance on the tax group, eligibility of a member to form part of a tax group, calculation of taxable income and compliance requirements for the tax group.
- **Taxation of Partnerships | CTGPTN1** – the guide provides a general understanding of how the CT law treats partnerships (incorporated/unincorporated) and their partners, including special provisions that apply to partnerships, and information regarding the registration, filing requirements, compliance and other tax obligations relating to partnerships and partners.
- **Qualifying Group Relief | CTGQGR1** – the guide provides general guidance on the transactions covered within this relief, conditions for eligibility, consequences for electing, circumstances when the relief will be clawed back and the consequences of clawback, and compliance requirements for such relief.
- **Business Restructuring Relief | CTGBRR1** – the guide provides general guidance on the transactions covered within this relief, conditions for eligibility, consequences for electing, circumstances when the relief will be clawed back and the consequences of clawback, and compliance requirements for such relief.
- **Investment Funds and Investment Managers | CTGIFM1** – the guide provides general guidance on the meaning of a qualifying investment fund and investment manager, conditions for a qualifying investment fund (QIF) and real estate investment trust (REIT) to be exempt from CT, tax implications for an investor investing in a QIF, conditions for a foreign person to benefit from the investment manager exemption and relevant corporate tax compliance requirements.

Economic Substance Regulations

The government of the UAE introduced the Economic Substance Regulations (the 'Regulations'/ESR) on 30 April 2019 vide Cabinet Resolution No. 31 of 2019. These Regulations were amended retrospectively vide Cabinet Resolution No. 57 of 2020.

The Regulations (as amended), inter alia, prescribe two types of annual compliances:

i. Submission of the 'Information Notification' within six months from the end of the accounting year; and

ii. Submission of the 'Substance Report' within 12 months from the end of the accounting year.

Accordingly, licensees with a financial year ending 31 March 2023 are required to file their Economic Substance Report on or before 31 March 2024. Similarly, licensees with a financial year ending 31 December 2023 are required to file their Economic Substance Notification on or before 30 June 2024.

VAT and customs duties update

With respect to VAT and excise tax, the UAE FTA has recently released the following amendment/update which is given below:

Date	Tax	Type of update	Particulars of update
February 2024	VAT	Public clarification – VATP036	SWIFT messages

The update may be summarised as follows:

- **SWIFT messages:**

  In the case of UAE financial institutions receiving interbank services from non-resident banks, VAT under the reverse charge mechanism was to be accounted for by UAE financial institutions along with the issuance of a self-tax invoice in respect of such supplies.

  UAE financial institutions may only recover the related input VAT to the extent that the cost is incurred to make taxable supplies and provided that the required supporting tax invoices are obtained and retained.

  However, considering the volume of SWIFT messages UAE financial institutions receive on a daily basis, it would be impractical to require UAE financial institutions to issue a self-tax invoice for each SWIFT transaction.

  Based on the above practical difficulty, the FTA has stated that UAE financial institutions are not required to issue a self-tax invoice to recover input VAT provided that the SWIFT message contains sufficient information to establish the particulars of the supply.

Professional standards for tax agents

The FTA has released FTA Decision No. 1 of 2024 on Professional Standards for Tax Agents which outlines the mechanism for the application of a black points system to tax agents in the event of violation of professional standards or the code of ethics prescribed by the FTA.

Application of black points to tax agents: The decision of the FTA regarding the application of black points can be summarised as follows:

<table>
<tr><th>Particulars</th><th>Explanation</th></tr>
<tr><td>Application of black points to tax agents</td><td>The FTA has provided that black points shall be applied to tax agents as follows:
<table>
<tr><th colspan="2">Violation committed by</th><th>Black points applied to</th></tr>
<tr><td rowspan="2">Natural person tax agent</td><td>Who does not work for a juridical person tax agent</td><td>Such natural person tax agent</td></tr>
<tr><td>Who works for a juridical person tax agent</td><td>Both natural person tax agent and juridical person tax agent</td></tr>
<tr><td rowspan="2">Representative of a juridical person tax agent</td><td>And such violation is related to or affects the client represented by the juridical person tax agent</td><td>▪ Natural person tax agent appointed to represent the client; and
▪ Juridical person tax agent</td></tr>
<tr><td>And such violation is not related to or affects the client represented by the juridical person tax agent</td><td>▪ Juridical person tax agent only</td></tr>
</table></td></tr>
<tr><td>Basis of assignment and expiry of black points</td><td>▪ Black points will be assigned based on violations of different categories of professional standards (i.e. code of ethics) by natural/juridical tax person.
▪ Code of ethics is broadly classified under the following categories:
— confidentiality;
— integrity;
— objectivity;
— professional behaviour;
— professional competence.
▪ Black points will expire after a period of between 12 months and 24 months depending on the violation committed by the tax agent.
▪ However, for certain specific types of violation, black points assigned would be permanent and will not expire.
▪ Black points assigned for the following violations would be permanent: promoting or designing aggressive tax planning with an intention to breach the law, engaging in any illegal activity of any kind which would</td></tr>
</table>

Particulars	Explanation		
	damage the reputation of the FTA, misappropriation of taxpayers' funds, providing false information of the tax agent during registration, being convicted of any crime or felony involving any breach of honour, refusal to coordinate with the FTA for tax audit if assigned by the taxpayer, attempting to influence the official action taken by the FTA through the use of threat, false accusations or coercion, etc.		
Consequences of accumulated points of a natural/ juridical person tax agent	The FTA has assigned different slabs based on accumulated points and a natural/ juridical person would face different consequences as mentioned below:		
	Accumulated points		
	If the tax agent is a natural person	**If the tax agent is a juridical person**	**Procedure**
	Up to 75 points	Up to 75 x (the number of natural person tax agents working for the juridical person) points	The tax agent will be notified of the violations, black points will be applied and the tax agent will be advised of the need to take precautionary measures.
	Up to 149 points	Up to 149 x (the number of natural person tax agents working for the juridical person) points	A first warning shall be sent.
	Up to 199 points	Up to 199 x (the number of natural person tax agents working for the juridical person) points	A second warning shall be sent.
	200 points	200 x (the number of natural person tax agents working for the juridical person) points	Deregistration of the tax agent from the register and all registrants associated with this tax agent on the FTA's system will be informed of the deregistration.

Source: https://www.tax.gov.ae/en

PKF Comment

The CT Decree-Law is broadly in line with internationally accepted principles of corporate tax and the release of cabinet decisions/ further guidance/FAQs with regards to certain provisions of the CT Decree-Law is a welcome step and quite helpful in the interpretation of the law.

As CT law is applicable for financial years starting on or after 1 June 2023, by now, businesses should have carried out CT and transfer pricing impact assessments on their current/proposed businesses and should aim to be UAE CT compliant from the very first tax period. The FTA issued a timeline for obtaining CT registration that every business must comply with. Further, it is also expected that the FTA will release the tax return form soon.

Businesses in the UAE which have identified themselves as in scope for the purposes of the UAE ESR are required to continue to comply with the prescribed filing requirements within the timelines provided by the MoF.

Public clarification provides clarity on the requirement for documentation with respect to SWIFT messages.

Professional standards for tax agents have been released which outline the mechanism for the application of a black points system for tax agents in the event of violation of professional standards or the code of ethics prescribed by the FTA.

For further information or advice concerning taxes in the UAE, please contact Mr. Shailesh Kumar at **skumar@pkfuae.com**, Mr. Chaitanya Kirtikar at **cgk@pkfuae.com**, Mr. Mradul Gupta at **mgupta@pkfuae.com**, Mr. Anurag Sodhani at **asodhani@pkfuae.com**, Ms. Megha Lohia at **mlohia@pkfuae.com** or Mr. Konan Shahid at **konan@pkfuae.com** or call **+971 4 388 8900**.

BACK

United Kingdom

Upcoming changes to the non-UK domicile regime

During the spring budget of 2024, it was announced that from 6 April 2025 the remittance basis of taxation for non-domiciled individuals will be abolished. Instead, this will be replaced by a foreign income and gains (FIG) regime.

The new regime will have various implications for UK residents who are non-UK domiciled.

Please note the proposed rules are not finalised and may be subject to changes.

How will the FIG regime work?

- From 6 April 2025 onwards, individuals becoming UK tax resident after 10 years of non-UK tax residence will not be liable to income tax on their foreign income and gains in their first four tax years of UK residence, should they choose to be taxed under the new FIG regime.
- Following these four years, individuals will be subject to UK taxation on their worldwide income and gains under the arising basis of taxation.
- Unlike the current remittance basis of taxation, individuals choosing to be taxed under the FIG regime can remit foreign income and gains arising in this four-year period without incurring a UK tax charge on their remittances.
- However, similar to the remittance basis of taxation, individuals choosing to be taxed under the new FIG regime will lose their entitlement to the tax-free personal allowance and capital gains tax (CGT) annual exemption.
- A claim to be taxed under the FIG regime must be made for each tax year that it is applied (this is expected to be claimed via an individual's self-assessment tax return filed with HMRC).

Simplification of overseas workday relief

For employment income, overseas workday relief (OWR) will be made simpler. For individuals choosing to be taxed under the FIG regime, their UK sourced employment earnings will only be subject to UK taxation by virtue of the number of UK workdays they have performed each tax year. This will apply to their first three tax years of UK residence.

If relevant, the individual's non-UK sourced employment income earned in this same period will fall outside the scope of UK tax for the first three tax years in which they are UK resident, irrespective of whether this income is remitted to the UK or not.

Individuals who relocated to the UK prior to 6 April 2025

Individuals, who on 6 April 2025 have been tax resident in the UK for less than four years (after at least 10 years of non-residence), can use the FIG regime for the remaining first four tax years of UK residence.

This also applies to employment income for the first three tax years of residence if the FIG regime is claimed.

Individuals electing to be taxed on the remittance basis prior to 6 April 2025 will be able to elect to pay tax at a reduced rate of 12% on remittances of their pre-6 April 2025 foreign income and gains under a new temporary repatriation facility (TRF). This will only be available for the 2025/26 and 2026/27 tax years. From 2027/28 onwards, normal tax rates apply.

Reduced foreign income subject to UK tax (2025/26 only)

Individuals who were taxed on the remittance basis prior to 6 April 2025 and do not qualify for the FIG regime will, for the 2025/26 tax year only, be liable to tax on only 50% of their foreign income arising in that year (this provision does not apply to any capital gains).

Who benefits from the new FIG regime?

- Non-UK employers: The new FIG regime can help to make expatriate assignments to the UK more attractive by simplifying administration and tax implications, reducing the amount of professional services employees may need, thus reducing the overall cost of secondments.
- Individuals relocating to the UK: The new FIG regime will mean non-UK domiciled individuals will no longer need to undertake onerous bank account structure planning or avoid remittances to the UK, being able to remit their foreign income and gains to the UK tax-free.

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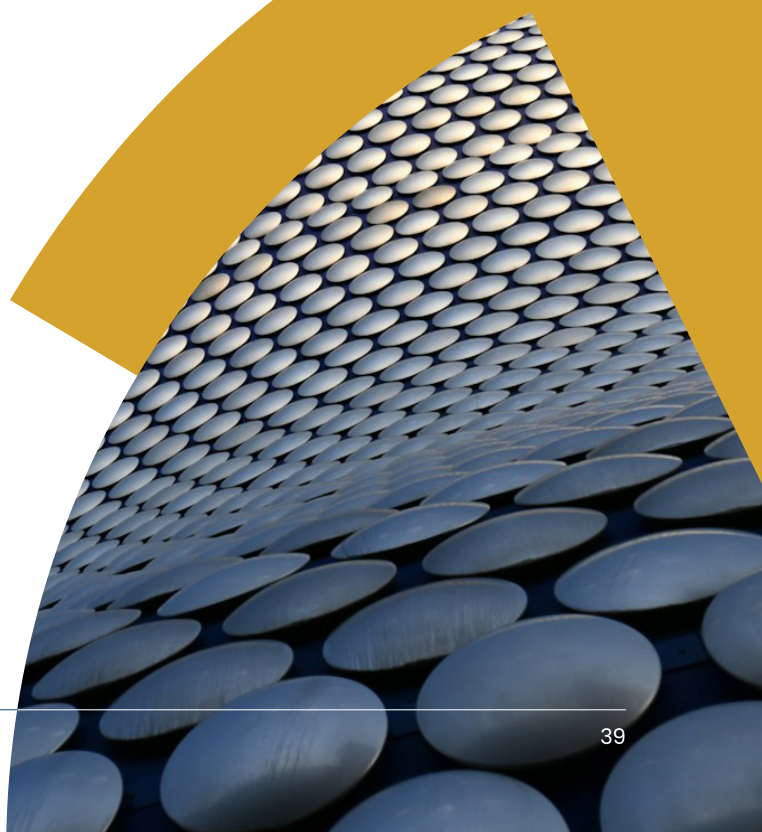
PKF Comment

If you believe the above measures may impact your business or personal situation or require any advice with respect to UK global mobility, please contact Brenda Hu at bhu@pkf-l.com or call **+44 (0)20 7516 2429**.

BACK



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